



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.18 – An act relating to banning flavored tobacco products and e-liquids

As passed by the Senate¹

Bill Summary

This bill proposes to ban the sale of all flavored tobacco products in Vermont. This includes banning the sale of:

- Flavored cigarettes of any kind.
- Other flavored tobacco-based products including cigars, cigarillos, chewing tobacco, snuff, and dipping tobacco
- Flavored e-cigarettes of any kind.
 - Note, since the federal government began enforcement action on some flavored e-cigarettes in 2020, the ban in this bill will largely affect menthol-flavored e-cigarettes and flavored disposable cartridges.

The bill also directs the Office of the Attorney General to report on whether, and to what extent, Vermont may legally restrict advertising and regulate the content of labels on e-cigarettes and other vaping related products in the state.

The bill is effective September 1, 2023.

Fiscal Impact

The bill is estimated to result in a revenue loss of \$4.12 million in fiscal year 2024 (Table 1), split between the General Fund and the Education Fund:

- \$3.51 million loss to the General Fund from reduced cigarette, other tobacco, and e-cigarette tax revenue.
- \$610,000 loss to the Education Fund from reduced sales and use tax revenue.

¹<https://legislature.vermont.gov/Documents/2024/Docs/BILLS/S-0018/S-0018%20As%20passed%20by%20the%20Senate%20Official.pdf>

Table 1: *Estimated Revenue Impacts of S. 18 (in millions of dollars)*

	FY2024	FY2025	FY2026
General Fund Cigarette, Tobacco, E-Cigarette Taxes – General Fund Revenue Loss	-\$3.51	-\$4.78	-\$4.71
Sales Tax – Education Fund Revenue Loss	-\$0.61	-\$0.84	-\$0.83
Total Revenue Loss	-\$4.12	-\$5.62	-\$5.54

Note that the fiscal year 2024 estimate only reflects 9 months of lost revenue because the bill does not go into effect until September 1, 2023. In fiscal year 2025 the State will forgo a full 12 months of revenue. The estimated revenue loss in subsequent fiscal years is expected to modestly decline, though, as overall cigarette usage rates decline.

Background

Most of the revenue loss from this bill will result from banning menthol cigarettes. In fiscal year 2021, cigarette taxes on both flavored and unflavored cigarettes generated \$62 million in revenue. Surveys indicate that many menthol cigarette smokers would quit smoking if menthol cigarettes were banned, suggesting that there could be a significant drop in total cigarette sales as a result of the ban.

In fiscal year 2021, sales of other tobacco and tobacco substitute products including cigars, pipes, cigarillos, and e-cigarettes generated an estimated \$15.8 million in other tobacco and e-cigarette tax revenue. Estimates of the sales of flavored products in these categories vary, but the data indicate that 20 to 40% of sales could be impacted.

An important, and hard to predict, variable is the degree to which current users quit using tobacco and tobacco substitutes because of the ban. Surveys of adults and analysis from municipalities that have banned flavored tobacco and flavored tobacco substitutes indicate that between 30% and 65% of users would quit altogether. Surveys of youth tobacco users have indicated quit rates of 60 to 75%.

Two factors could impact this analysis. First, even a small change in the quit rate could lead to significant changes in the revenue estimate. If more users switch to unflavored products rather than quitting tobacco altogether, for example, the estimated revenue loss from this proposal will decrease.

Second, Massachusetts saw larger than expected revenue decreases after implementing a flavored tobacco ban in June 2020, likely because people went to neighboring states to purchase flavored products. However, this ban took place during the first summer of the pandemic and their experience may not apply to the ban proposed in this legislation. Additionally, the proximity of Vermont's population to the border is different than it is in Massachusetts, and it is difficult to know if the same behavior change will occur.

This analysis also notes that the long-term public health benefits of reducing tobacco use are undeniable. While there would also be significant long-term fiscal benefits in reduced healthcare costs from this legislation, they are difficult to estimate.

Appendix: Resources

January 2023 Consensus Revenue Forecast: <https://ljfo.vermont.gov/assets/Subjects/Consensus-Revenue-Forecasts-Legislative-Economic-Outlook/b7382873a7/January-2023-Economic-Review-and-Revenue-Forecast.pdf>

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